

The Influence of News Sentiment on the Stocks of the Dow Jones Index

Bachelor Thesis

in

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Prof. Dr. Thorsten Hens

Dr. Sven C. Steude

Fabienne Locher

Executive Summary

In a time when information resources seem endless and human nature is faced with an information overload, people are forced to filter, analyze and process a huge amount of information. The question arises whether the way people handle all the information is objective. The focus in this thesis is on particular information, notably news media. So, is the public really unbiased about processing the news provided by the media? Do news media in general interact with the financial markets or more precisely with stock prices? Is there a relationship between positive or negative news coverage and stock prices? This work will attempt to throw some light on these questions. On the one hand, this thesis will cover the influence of news coverage on the stock returns of the constituents of the Dow Jones Index. On the other hand, it will examine a totally new angle of looking at the relationship between news media and stock prices, namely sentiment data. The analysis provides an insight on the influence of positive, neutral and negative news coverage on stocks.

The analysis within this work is not able to provide significant evidence for any relationship between the media and the markets. Nonetheless, working with sentiment news is an interesting perspective for further analyses. To put it succinctly, it is worthwhile to keep track of sentiment data.